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NEYMARCK, A. *L'épargne française et les valeurs mobilières 1872-1910*. Finances Contemporaines, Vols. VI & VII. (Paris: Alcan. 1911. Pp. xiv, 437; 569. 15 fr.)

PECK, M. L. *Bristol Savings Bank*. (Bristol, Conn.: The author. 1910. Pp. 16.)

An historical sketch.

PHILIPPOVICH, E. *Die Bank von England im Dienste der Finanzverwaltung des Staates*. Second edition, revised. (Vienna: F. Deuticke. 1911. Pp. viii, 217. 6 m.)

The first edition was published in 1884. In bringing the work up to date especial attention is paid to the changes in the technique.

ROSENTHAL, H. S. *Building, loan and savings associations, how to organize and successfully conduct them*. Third edition, revised and enlarged. (Cincinnati & Chicago: American Building Association News Co. 1911. Pp. xv, 425. \$3.50.)

ROUX, G. *Le change espagnol et son amélioration actuelle*. (Montpellier: Coulet et fils. Pp. 110. 3.50 fr.)

SCHIMBKE, P. *Das deutsche Bankwesen in seinem Grundzügen*. (Hanover: Hahn. 1911. Pp. 36.)

SKINNER, T. *The London banks and kindred companies and firms, 1911-12*. (London: T. S. Skinner. 1911. Pp. 802. 10s.)

SOBRAL, E. M. *La reforma monetaria*. (City of Mexico: Palacio Nacional. 1910. Pp. 329.)

An authoritative account of the recent currency reform in Mexico, with a brief historical discussion of Mexico's previous monetary experiences. Author is professor of political economy in the National School of Jurisprudence of Mexico, and chief of the Division of Credit and Commerce in the Treasury Department.

STERN, R. *Die Arbitrage in Bank- und Börsenverkehre*. (Leipzig: G. J. Göschen. 1911. Pp. 113. 2.50 m.)

WETZEL, F. W. *The National Bank Act, and other laws relating to national banks, banking and currency*. Indexed and annotated. (Washington: The Economy Publishing Co. 1911. Pp. 140. 35c.)

Public Finance, Taxation, and Tariff

The Income Tax. A Study of the History, Theory, and Practice of Income Taxation at Home and Abroad. By EDWIN R. A. SELIGMAN. (New York: The Macmillan Company. 1911. Pp. xi, 711. \$3.00.)

Begun seventeen years ago, laid aside in 1895, because the adverse income tax decision by the Supreme Court of the United States put an end, for the time being, to interest in the subject,

and completed now that the income tax amendment to the federal constitution has revived that interest, Professor Seligman's seven hundred page book, *The Income Tax*, was published early in this year.

The book contains a great deal of history, foreign and American, a prophecy, and a "practical programme." "In the first place," says Professor Seligman (p. 672), "the income tax is coming. Sooner or later the constitutional or political difficulties will be surmounted, and the United States will fall in line with every other important country in the world. Economic conditions have everywhere engendered a shifting of the basis of taxable faculty, and democracy has declared that the best criterion, on the whole, is to be found in income. Whether we like it or not, the development is irresistible, and the income tax will come to stay until some new criterion of ability approves itself to the democracy of the future."

Why shouldn't we like it? Of the essential justice of taxation based upon income, when properly adjusted to incomes of varying amounts and kinds and when *well administered* and justly enforced, we are almost all of us convinced. Those who have doubted the expediency of an income tax in the United States have done so, not because they did not "like it," but because of a well grounded fear that our democratic government cannot develop and place in the seat of power administrators sufficiently strong to enforce such a tax justly. Democracy is so jealous of power that its executive arm is always weak. This same fear seems to have possessed the author to some extent, and he attempts to allay it in the proposed "practical programme."

The prophecy is of such wide interest that the grounds for it require examination. "The income tax," says the author (p. 642), "is not needed for purposes of revenue in either the state or the nation." He also says: "there is no immediate likelihood of a fundamental change in the tariff." Hence, there is no actual fiscal reason for the income tax. That being the case, it follows that we are going to enjoy the luxury of tax reform simply for reform's sake, which, as Professor Cohn pointed out, was the main motive of the great tax reforms in Prussia after the receipt of the French indemnity fund had made the problem of making ends meet less difficult. Although the income tax is not needed, nevertheless Professor Seligman thinks it is desirable; because it would "tend to redress existing inequalities," and, also, probably render

"the reform of our entire system of state and local taxation more easy of accomplishment" (p. 642). Still desirability is not the real reason for the impending advent of the income tax. The reviewer is inclined to agree with the author that, in spite of the fact that it is not needed, the income tax is coming.

If the prophecy is fulfilled the income tax will be one of the achievements of the recent movement in the direction of pure democracy, as opposed to representative government. It will come as an accompaniment of the direct primary, the initiative, the referendum and the recall, as a part of the spontaneous expression of what the "people" think should be, as a part of the movement to make private wealth more subservient to the public weal. This suggests an interesting circle of speculative thought. We are led to speculate as to how much the income tax decision of 1895 has had to do with the apparent distrust of representative government and of the judiciary, and with the spread of pure democracy, and in turn how much that decision was itself one of the provoking causes of the proposed income tax. Of that momentous decision, Professor Seligman says (p. 586), "the decision is based upon glaring historical errors and undoubted misinterpretations," and he agrees with the minority of the court that the decision is "fraught with the most utmost danger to the perpetuation of the republic."

We shall know more about this prophecy in the future; meanwhile the book will undoubtedly contribute to its fulfillment, for it furnishes ample ammunition for the proponents. "My chief object," says the author in his preface, "has been to set the subject in a somewhat clearer light and to aid the legislator in constructing a workable scheme." Hence, the "practical programme" is presented.

The first item in that programme is that the income tax should be imposed and administered by the federal government. For this the author presents four reasons: first, income cannot be sufficiently localized to be surely reached by the state authorities; second, in no other way can double taxation be avoided (and we might add conflicts of jurisdiction as well); third, the states cannot solve the administrative difficulties which will be greater if the tax is to be administered in each state under a different authority and plan; and fourth, the probable embarrassment of state finances if there were a federal as well as a state income tax. Inasmuch, however, as the federal government does not need

the revenue Professor Seligman proposes, as he has often done in the past, that the proceeds be apportioned among the states (p. 658), "to be utilized as the necessities or convenience of each state may prescribe." This does not seem quite consistent with the statement above cited that neither do the states need the income tax for purposes of revenue; but the inconsistency is not important. If the income tax is coming, whether we need it or not, some way must doubtless be found to spend the proceeds.

An examination of the "programme" on the administrative side shows that the author has attempted to formulate a set of mechanical rules, which leave as little as possible, preferably nothing, to the discretion of the administrative officers. Hence, the "lump-sum income tax" is rejected, because it "would strain American administrative methods to the breaking point," and "surely be impotent to secure the relative justice which is the primary desideratum of an income tax" (p. 660). While on the one hand we must not forget that our greatest successes in tax administration have been achieved when (as in Wisconsin) strong men have been in control, hampered as little by law as possible, yet on the other hand it would undoubtedly be a comfort to the taxpayer and the tax collector alike to have a self-acting law, if such a one can be written. A "stoppage-at-source or schedule income tax" is preferred. Some of the main schedules are suggested. The reviewer ventures to condense them in the following outline:

Schedule I. Incomes derived from corporations, to be taxed in three classes: Class 1, Corporate incomes as such; in this it is intended to reach the real profits as a whole whether paid out in dividends, or interest, or reinvested, or however else disposed of. Class 2, Tax on individual incomes derived from corporations, mainly dividends and interest; this he does not consider double taxation (p. 662-3). Class 3, Salaries of officials and employees (p. 664.)

Schedule II. A tax on government salaries (p. 665).

Schedule III. A tax on income from government securities (p. 665).

Then follow four other "chief classes of income," not listed as schedules: income from real estate; income from securities other than corporate securities; income from business; and income from professions. Income from real estate, it is proposed to tax by a combination of actual and "statutory" or arbitrary estimate, the rents paid or estimated from assessed valuation being

used. The taxes on real estate income are to be paid by the occupier. Mortgage income would be included under real estate, the owner of the real estate being expected to deduct the proportionate amount of the tax from the interest he pays. The only important class of securities, other than corporate or government, being mortgages, are disposed of here. Business incomes will, he thinks, present the weakest part of the system, and here stoppage at the source is impossible. To estimate these he proposes an honorary board of two prominent business men for each "broad class" of businesses, who are to aid the assessors. The same suggestion applies to professional incomes. It is not directly stated, but the inference is that "declarations" would be required in these two classes.

The program includes exemption of not more than one or two thousand dollars. It also includes differentiation: (1) by granting a lower rate on business and professional incomes to administration; (2) by making a distinction between "earned" and unearned incomes; (3) by higher rates on incomes from privilege. Progression is not considered possible at first, but is to be hoped for in the future. On this point, the reviewer is not sure that he understands the author. The statement (p. 671), "Finally, so far as progression is concerned, it is clear that the adoption of the stoppage-at-source scheme is incompatible with the general plan of a graduated income tax," seems to be inconsistent with the statement on the preceding page, "we might, at least, introduce the English principle of abatement in order to permit a gradually diminishing reduction of the tax between the limit of absolute exemption and the point of normal charge." ("Reduction" must be a slip of the pen; it should obviously read "increase"; the English tax is degressive.)

Although the prophecy and the program seem to be of greatest interest to the general reader and hence have been selected for this review, it must not be understood that they occupy the chief place in the book. On the contrary, by far the greater part of the book is devoted to the historical survey, which is of great interest. The history of the British income tax is given at greatest length. This is the first time that the story has been set forth at such length and with such intensive research. It is rendered especially valuable by the numerous citations from contemporaries.

The history of the income tax in all other important countries including our own is reviewed. The story of the half century of as

yet unsuccessful struggle for an income tax in France does not seem altogether consistent with the theory that the income tax is the inevitable product of triumphant democracy. Surely, the opposition of the conservative Senate is not enough to account for the failure. Possibly a better explanation might be found in the fact that in France, as in some other Latin countries, whose tax systems evolved from the principle of the tithe, there is already a system of correlated taxes whose combined effect is substantially that of the income tax.

As the author of *Progressive Taxation in Theory and Practice*, *The Shifting and Incidence of Taxation* and of the volume of *Essays in Taxation*, all of which have run through several editions and have been translated into foreign languages, Professor Seligman is one of the widest known "authorities" on public finance. For that reason, as well as for its own contents, the book will command a wide constituency.

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Tariff Reform, Employment, and Imperial Unity. By GEORGE COATES, M.A., M.D. (London and New York: Longmans, Green and Company. 1911. Pp. viii, 120. 2s. 6d.)

The Imperial Organization of Trade. By GEOFFREY DRAGE. (London: Smith, Elder, and Company. New York: Dutton and Company. 1911. Pp. xviii, 374.)

These two tariff studies have their theme in common, but little else. Dr. Coates' book is a typical specimen of British popular neo-protectionist literature, strongly nationalist and imperialist in tone, as dogmatic as ever any least distinguished parrot repeater of Bastiat or McCulloch; and, in the phrase in which Mr. Asquith summed up the whole tariff reform agitation, "incurably sloppy" in its argument. American readers will find an historic interest in most of the theories advanced. The core of the book is the old two-profits argument, set forth with many variations.

Mr. Drage affords a refreshing contrast in his judicious and temperate, though far from colorless, treatment. He writes from the viewpoint of a strong Unionist and Imperialist, anxious, if possible, to find in the Chamberlain policy the long sought means of binding and strengthening the Empire. His conclusions, however, are decidedly adverse to all three aspects of the Tariff Re-